

## Message Text

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PAGE 01 STATE 151409  
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APPROVED BY: EUR/SOV:WEDGAR  
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FM SECSTATE WASHDC  
INFO AMEMBASSY MOSCOW 1182

C O N F I D E N T I A L STATE 151409

FOL TEL SENT ACTION SECSTATE INFO BELGRADE BERLIN USBERLIN  
BONN BRUSSELS BUCHAREST BUDAPEST LONDON NATO PARIS PRAGUE  
SOFIA WARSAW FROM FRANKFURT DTD 22 JUN 1977 QTE

C O N F I D E N T I A L FRANKFURT 4701

USEEC

USOEC

E.O. 11652: GDS  
TAGS: EFIN, COMECON, UR  
SUBJ: IIB AND SOVIET BORROWING

REF: A. MOSCOW 6733, B. FRANKFURT 3223

1. FORMAL AGREEMENTS WERE SIGNED JUNE 15 IN FRANKFURT  
FOR THE \$500 MILLION LOAN TO THE INTERNATIONAL  
INVESTMENT BANK (IIB) TARGETED FOR THE ORENBURG  
PIPELINE BY AN INTERNATIONAL BANKING CONSORTIUM  
HEADED BY DRESDNER BANK.

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2. DRESDNER BANK SOURCES PLACE TERM OF LOAN AT  
6 1/2 YEARS. PRINCIPAL IS REPAYABLE IN EQUAL SEMI-  
ANNUAL INSTALLMENTS FOLLOWING A 3 1/2 YEAR GRACE  
PERIOD. INTERESZ RATE IS 1 1/8 PERCENT OVER LABOR  
FOR THE FIRST 30 MONTHS AND 1 1/4 PERCENT FOR THE  
REMAINING 48 MONTHS.

3. THE MANAGEMENT GROUP CONSISTS OF 19 PARTICIPANTS: DRESDNER, THE LEAD BANK, BANKERS TRUST INTERNATIONAL, CHASE MANHATTAN, MANUFACTURERS HANNOEVER, SECURITY PACIFIC, ALGEMENE BANK NEDERLAND, BANK FUER GEMEINWIRTSCHAFT, BANK FUER HANDEL UND INDUSTRIE, BANK OF MONTREAL, BANQUE INTERNATIONALE A LUXEMBOURG, BARCLAYS BANK INTERNATIONAL, BAYERISCHE-HYPOTHEKEN-UND WECHSEL-BANK. BERLINER BANK, BFG LUXEMBOURG, CESKOSLOVENSKA OBCHODNI BANKA A.S., CIE, LUXEMBOURGEOISE DE LA DRESDNER BANK, DG BANK, HESSISCHE LANDESBANK, AND LLOYDS BANK INTERNATIONAL.

4. DOCUMENTATION FOR THE LOAN AGREEMENT SPECIFIES USE OF WEST GERMAN LAW, TO AVOID ANY LEGAL COMPLICTIONS SIMILAR TO THOSE ENCOUNTERED UNDER AN INTERPRETATION OF BRITISH LAW WITH THE ABORTED IBEC LOAN IN EARLY 1977. DRESDNER AND OTHER GERMAN BANKERS ARE SATISFIED WITH IIB (AND IBEC) STATUS AS INTERNATIONAL BORROWER UNDER THE GERMAN LEGAL FRAMEWORK. SOURCE NOTED SOME MINOR PROBLEMS AND COSTS U.S. AND BRITISH PARTICIPANTS INCURRED IN ENGAGING GERMAN LEGAL COUNSEL, AND VIEWED THAT THE APPROACH HAS ENHANCED THE PRESTIGE OF GERMAN LEGAL AND BANKING SYSTEMS.

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5. DRESDNER CONTINUES TO VIEW SOVIET AND EASTERN EUROPEAN BORROWING AS ATTRACTIVE AND SECURE BUSINESS. SOURCE WOULD NOT BE SURPRISED TO SEE IIB RETURN TO EUROMARKET "EARLY IN 1978". LEHMANN UNQTE VANCE

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